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FOR IMMEDIATE RELEASE

Terry Goddard Says Efforts to Prevent Foreclosures Still Falling Short

(Phoenix, Ariz. – April 22, 2008) Citing a new national report on subprime mortgages, Attorney General Terry Goddard today said that efforts of servicers and government officials to prevent foreclosures have increased but still fall short of the need to effectively respond to the foreclosure crisis and prevent millions of unnecessary foreclosures.

The report was issued Tuesday by the State Foreclosure Prevention Working Group, a group of state Attorneys General and banking regulators working to prevent home foreclosures. An earlier report by the group was issued two months ago.

"The collective efforts of servicers and government officials to date have not translated into meaningful improvement in foreclosure prevention outcomes," the report said. Little progress has been made despite widely-publicized campaigns to encourage homeowners in trouble to seek help and initiatives by servicers to "fast-track" loan modifications.

"In major respects, the subprime servicing data for January 2008 are nearly unchanged from October 2007," the report said.

"We continue to see a rising number of foreclosures in Arizona, which is a significant drag on Arizona's economy," Goddard said. "This report confirms that efforts made by servicers to prevent unnecessary foreclosures are not enough. We need to explore additional approaches to prevent tens of thousands of unnecessary foreclosures in Arizona."

Major findings of the State Foreclosure Prevention Working Group's report include:

- Seven out of 10 seriously delinquent borrowers are still not on track for any loss-mitigation outcome. The number of borrowers in loss mitigation has increased, but it has been matched by an increasing number of delinquent loans.
- Data suggest that servicers' loss-mitigation departments are severely strained in managing the current workload. The report noted that almost two-thirds of all loss-mitigation efforts started are not completed in the following month.
- Homeowners who do receive loss-mitigation help are most likely to receive some form of loan modification. The Working Group said such modifications are a solution that seems to

offer better long-term prospects for successful resolution of problem loans. Many servicers are replacing their use of repayment plans in favor of loan modifications.

“Progress is being made, but there is a long way to go,” said Iowa Attorney General Tom Miller, a founder and leader of the State Foreclosure Prevention Working Group. “We still see a tremendous gap between the need for loan work-outs and the options in place today.”

“Our collaborative efforts to date have failed to prevent a large number of unnecessary foreclosures,” said North Carolina Deputy Commissioner of Banks Mark Pearce. “We need to find solutions that fit the size of the problem we are facing.”

The State Working Group said it believes “more robust approaches to avoid preventable foreclosures are necessary.” The Working Group said servicers, investors and state officials should work together on:

- Developing a more systematic loan work-out system to replace the intensive, individual, “hands-on” loss-mitigation approach. The State Working Group said it “will continue to work with servicers to promote systematic solutions to modify loans in a more streamlined and efficient manner.”
- Slowing down the foreclosure process to allow for more work-outs. “Targeted efforts to slow down subprime foreclosures may give homeowners and servicers more time to find solutions to avoid foreclosure,” the report said. Many states have enacted or are considering such measures, the report noted.

The State Working Group also encouraged the federal government to develop innovative approaches that recognize the extent and scale of the foreclosure crisis.

The State Foreclosure Prevention Working Group began as a cooperative dialogue of state officials and mortgage servicers in September 2007. Since October 2007, the Working Group has been collecting data from the largest subprime mortgage servicers, with 13 of the largest 20 servicers participating, representing approximately 60 percent of subprime mortgage loans serviced.

The State Foreclosure Working Group is led by representatives of the Attorneys General of 11 states (Arizona, California, Colorado, Iowa, Illinois, Massachusetts, Michigan, New York, North Carolina, Ohio and Texas), two state banking departments (New York and North Carolina) and the Conference of State Bank Supervisors.

A copy of the report is attached.

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